

# DIVISION OF TAXATION HIGHLIGHTS

- Following the events of September 11, 2001, the Division of Taxation's Customer Service Center, which normally handles inquiries regarding New Jersey State taxes, was converted and dedicated to respond to victim and family emergencies. Division employees were called upon to staff the Victims and Family Hotline and rose to the occasion admirably. From reconfiguring the phone systems to training agents and employees from throughout the Division who volunteered to staff Hotline, to supervising, scheduling, and staffing the Hotline, Division employees pitched in to provide help to those affected.
- The Division of Taxation received \$276.9 million in net revenue from the 2002 Tax Amnesty Program that began April 15, 2002, and ended on June 10, 2002. 101,534 payments were made during the 57-day Amnesty period. 32% of the amount collected was from sales and use tax, 38% from corporate tax liabilities, 22% from gross income tax, and the remainder from the 27 other taxes administered by the Division. During the Amnesty period, the Amnesty hotline received nearly 155,000 phone calls and the Amnesty Web site recorded 78,620 hits. Under Amnesty the State waived penalties and interest charges on tax liabilities incurred between January 1, 1996, and December 31, 2001 — individuals and businesses were allowed to pay only what they owed in back taxes. Those who failed to settle their delinquent State taxes during Amnesty now face the reinstatement of the original penalties and interest, plus new penalties, charges, and fees.
- In November of 1999, the Division became a participant in the Federal Offset of Individual Liability (FOIL) Program which was set up by the Federal Management System (FMS). Through the FOIL Program the Federal government offsets Federal personal income tax refunds against tax deficiencies of participating states. Affected taxpayers are sent notification by certified mail advising them of the intended setoff and giving them 60 days to protest the action. The Division receives payments consisting of payments directly from taxpayers sent in response to the notification, as well as from the FMS as a result of the offset. The Division collected revenues of \$8.8 million during Fiscal Year 2002 and nearly \$23 million since becoming a participant.
- On February 11, 2002, the Division introduced NJ WebFile, offering free filing of personal income tax returns and homestead rebate applications from a secure Internet site. By the end of the income tax filing season, nearly 16,000 taxpayers had taken advantage of this option.
- In May of 1999, the Division began publishing a listing of businesses and individuals with the largest uncollected New Jersey tax liabilities on our Web site. During Fiscal Year 2002, the publishing of these lists of taxpayers, who had previously ignored the Division's attempts to bring them into compliance,

generated revenues of \$1.5 million. Since its inception, this program has resulted in collections of \$6.5 million.

- The Division stepped up its investigations of fraud in the property tax relief programs, resulting in a savings of nearly \$5 million. In addition, criminal investigations conducted with the assistance of various law enforcement agencies resulted in guilty pleas and convictions of several individuals suspected of preparing fraudulent homestead rebate applications.
- During Fiscal Year 2002, the number of taxpayers who chose to file their individual income tax returns using an electronic method rather than paper increased 23% over the previous year. Electronic filings result in more accurate returns, faster processing times, and quicker refunds. We expect to see similar growth in the number of users over the next few years.
- The Office of Criminal Investigation continued its active participation in the MultiState/Federal Task Force. The Task Force was created to deter smuggling of contraband cigarettes into states with higher cigarette taxes along the Eastern Seaboard from those with lower cigarette taxes. Members include New Jersey, New York, Pennsylvania, Virginia, and New York City, as well as the Federal Bureau of Investigation, the United States Bureau of Alcohol, Tobacco and Firearms, and the United States Attorney's Office for the Eastern District of Virginia. Multiagency task force operations such as this allow agencies to pool their law enforcement and investigative resources for a mutually beneficial purpose, resulting in indictments and convictions.
- Under the cash audit program initiated in 1996, special emphasis has been placed on the audit of approximately 12,000 retail liquor licensees. In 1998 the Division has included audits of the pizza industry as an expansion of its cash audit program. Since that time various other cash initiatives have also been undertaken. The cash audit program is intended to strengthen compliance and collection efforts as well as level the playing field for compliant businesses. Since its inception cash audit and compliance efforts have become an integral part of Field Audit operations. To date, the Liquor Audit Project has resulted in \$187 million in assessments and the Pizza Audit Project has resulted in \$15.3 million.
- In June 2002, the Division's Local Property Tax Field Assistance and Appraisal Unit completed a major reworking of the Real Property Appraisal Manual for New Jersey Assessors in the area of residential property. The last extensive revision of the Appraisal Manual was done in 1981. The Manual is used by municipal assessors employing the cost approach to valuation. This undertaking by LPT field staff, who canvassed several hundred construction sites, required the cooperation of local assessors, realtors, and builders throughout the State in gathering statistical data to support the new unit costs for labor and construction. Based on the data collected, several new residential property classes were created in order to reflect the value of larger, high-quality homes currently being built in New Jersey.